

RD AN No. 3724 (1942-A)
March 19, 2002

TO: State Directors
Rural Development

ATTN: Community Programs Managers

FROM: James C. Alsop *(Signed by James C. Alsop)*
Acting Administrator
Rural Housing Service

SUBJECT: Parity Lien Requirements

PROPOSED/INTENDED OUTCOME:

The purpose of this Administrative Notice (AN) is to clarify that when a direct loan and a guaranteed loan are made on the same project, it will be considered all Rural Development financing and, therefore, parity lien positions will not be required.

COMPARISON WITH PREVIOUS AN:

This AN replaces RD AN No.3619 (1942-A) dated March 5, 2001.

IMPLEMENTATION RESPONSIBILITIES:

For clarification purposes, the reference to “another” or “other lender” in RD Instruction 1942-A, section 1942.17(g)(1), means a lender not receiving a Community Facilities (CF) guarantee. Whenever both a CF guaranteed loan and a CF direct loan are utilized to finance a CF project, we consider this financing to be all CF financing. Therefore, the parity requirements in RD Instruction 1942-A, section 1942.17(g)(1), will not be required. As a matter of policy, we will request a parity lien. However, for good cause (e.g. the lender making a CF guaranteed loan cannot meet their other regulatory requirements, such as FDIC’s loan to value ratio), we will subordinate our CF direct loan to the guaranteed loan.

EXPIRATION DATE:
March 31, 2003

FILING INSTRUCTIONS:
Preceding RD Instruction 1942-A